

ICPS newsletter®

Responding to globalization: Neck or nothing

Globalization processes are causing adjustments in the development of countries around the world. The capacity of a society to quickly react to change and its ability to generate change determine that country's place in the modern world. Passivity in the face of globalization, uncertainty and indecision among its political elite could deprive Ukraine, once and for all, of the chance to find itself a respectable place in the pantheon of nations. The country's main responses to globalization must be to switch to innovative economic development, to accede to the WTO and to integrate into the EU

Innovative economic development will ensure 6–10% GDP growth per annum

Innovative approaches to economic development make it possible to update and expand the selection of goods and services and to introduce new manufacturing methods, approaches to work and working conditions. A switch to this development model will ensure 6–10% annual GDP growth, while maintaining status quo will offer, at most, 3–5% annual growth.

Ukraine already has a good starting position to move into innovative development:

- **Participating in "Europe-Asia" transit corridors.** Europe is the largest consumer in the world and Asia is the largest manufacturer. Lying along a straight line between these two centers of the global economy, Ukraine is destined to become a key transport link along this corridor. The development of modern transportation routes will give a major push to related businesses: roadside infrastructure and servicing connecting routes.
- **Technological innovation.** Ukraine's high scientific and technological potential can ensure the successful development in the energy, materials and ICT sectors and on the patents, hi-tech and services markets.
- **Outsourcing services.** So far, outsourcing has prospered on Asian markets because of the cheap labor force. Currently, the emphasis is shifted somewhat to Central and Eastern European countries. But growing costs in Central and Eastern Europe are forcing investors to seek opportunities outside the EU, including in Ukraine.

Global integration will speed up structural changes

Ukraine's economy will transform structurally much more rapidly and effectively if the country integrates into the global economy. The first step here is accession to the World Trade Organization, which will open new doors to domestic producers. Joining the WTO will not only include the domestic economy in the global one, but will also allow Ukraine to influence the development of the global economy.

Still, integration alone cannot bring any positive results. It only presents new opportunities to gain positive results. For successful economic development in a new, more open environment, the quality of Ukrainian products must be improved. To increase the country's competitive advantage, the structure of the domestic economy also needs to be changed.

One drawback of the economy today is its orientation towards producing and exporting "traditional" commodities: metals and chemicals. But global demand for these products is likely to grow at a much slower pace in future. Meanwhile, services have begun to play a much more important role in the global economy.

One of Ukraine's advantages in the integration process is the "late bloomer effect." Ukraine does not have to repeat the entire trial-and-error process that other countries have gone through: it can use already-developed effective approaches. This technological leap will allow Ukraine to save significant resources during the transitional period and rapidly reach the same level as more developed countries.

The European Neighborhood Policy could open access to the EU market

Ukraine's membership in the European Union is not on the agenda. However, the European Neighborhood Policy (ENP) presents a real opportunity for Ukraine to participate in the common European market. Within the ENP, the EU recognizes both the need and possibility for Ukraine to integrate into European and world markets. This means that Ukraine's time in the "twilight zone" is over.

It is important for Ukraine to use the assistance offered by the EU as effectively as possible and to channel it to the solution of internal problems: developing business and the economy, developing a western-style bureaucracy, and reinforcing democratic standards. The ENP and the Ukraine-EU Action Plan lay the foundation for further economic integration, primarily through harmonizing Ukrainian legislation to EU norms and standards in those areas where it will give the Ukrainian economy specific advantages and create a favorable business environment.

The next step in EU integration must be setting up a free trade area (FTA) with the EU. An FTA primarily involves lower tariffs for an established range of goods specified in the FTA agreement. With the EU, such an agreement will make it possible to open the EU market to Ukrainian goods and services in a major way. Such an FTA will also open up the Ukrainian market more. The price for integrating into European and global markets is, of course, the gradual elimination of uncompetitive enterprises. On the other hand, an FTA between Ukraine and the EU could transform Ukraine into a more reliable partner for other countries, including Russia. ■

More information can be found in a policy paper called "The Prospect of Deep Free Trade Between the European Union and Ukraine" that is available online at:
http://shop.ceps.be/BookDetail.php?item_id=1321.

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How can the community oversee healthcare spending?

Expanding democratization in the healthcare sector is one way to raise the effectiveness of state policy in this sector and to ultimately improve the health of the entire population. Post-socialist countries do not have experience in involving the public in the government's decision-making process. Specialists from the International Centre for Policy Studies, together with their colleagues at the Public Policy Research Center in Kazakhstan and the Euro-Balkan Institute in Macedonia are proposing a model for public watch of healthcare spending that can be applied in other sectors of the economy. This model has been developed for implementation in CIS, CEE and Central Asian countries

The issues of fiscal transparency and public watch over public spending are very important to all democratic societies. Among the key factors that complicate public participation in something like a budget watch are these four:

- Lack of information among ordinary voters about the forms and mechanisms of public participation;
- The exclusion of specific groups of the population from policy debates;
- Lack of legislative support for public participation in overseeing healthcare spending;
- Limited access to information on the areas and volumes of healthcare spending.

Analysis of the situation in Ukraine, Macedonia and Kazakhstan has demonstrated the need for active public participation in decision-making on healthcare spending and for improved awareness among the general population of the policies that their central and local governments are following.

Public watch in 7 easy steps

Initiate the process. An organization that is planning to initiate a public watch over budget spending must have qualified personnel to support communication among all stakeholders, and to collect and interpret information. It must also have the necessary communication and office facilities. NGOs are the most suitable for this activity as they have the necessary powers according to Ukrainian law.

Define areas of concern. A notion of key problems in healthcare can be obtained through a public opinion poll regarding the level of satisfaction with healthcare services among ordinary people and by holding debates in the form of focus groups.

Set goals. It is extremely important for an NGO or an interest group undertaking a public watch to clearly formulate what

exactly it wants to change, in order to ensure a transparent oversight process and to monitor the results further. A system of criteria must be developed on the basis of which these problems can be evaluated.

Ensure awareness of rights and opportunities. The organization that is planning to oversee budget spending must thoroughly study relevant legislation in order to define the legal basis for consultations and public participation.

Work on social mobilization. A successful public watch must have a certain degree of authority in the community. Effective oversight and its impact on the government will also improve with the involvement of influential political parties, community organizations, local governments, service providers, and healthcare facilities.

Provide independent analysis and informational support. Key information needed for independent analysis includes the structure of the budget system, the distribution of powers and functions among different levels of government, sources of revenues, the structure of spending on the activity in question, and numbers on the fulfillment of local budgets. This information is needed to understand: (1) what decisions are made by central and local governments; (2) what the money is spent on; (3) how effective the spending is; and (4) what other alternatives there are for spending public funds.

Publicize the results. The results of research can be presented in the form of public debates, hearings and publication in the media as articles, interviews or press conferences. ■

More information about public watch over budget spending can be found in a policy paper that is available online at: <http://www.icps.com.ua/eng/project.html?pid=72>. This paper contains a review of international experience in public watch over healthcare spending at the local level, analysis of the institutional and legal

By the way...

- On 11 May 2006, ICPS Director Vira Naniivska participated in a session of the National Council on Public Administration and Local Government that took place under the direction of President Yushchenko. Participants in this session looked into the issues related to reforming the system of government bodies.
- On 27 April 2006, the ICPS and the Institute of Public Affairs in Poland presented a Green Paper on Ukraine's policy to control illegal migration. This research is being carried out with the financial support of the Embassy of the United Kingdom in Ukraine as part of the "Improving Mechanisms for Implementing Migration Policy in Ukraine. Applying the EU Experience in Implementing Readmission Agreements" project.
- In May 2006, the LGI Russian Language Policy Fellowship Program dealing with public policy for Russian-speaking specialists was launched. During the first seminar that took place in Budapest on 4–7 May 2006, fellows presented their research projects. This program is implemented by ICPS with the financial support of the Local Government and Public Service Reform Initiative of the Open Society Institute (LGI/OSI).
- Discussion of a Green Paper called "Problems with Attracting Foreign Investment to the Ukrainian Economy" took place on 5 May 2006. This Green Paper was prepared by a policy analysis group from the State Investment and Innovation Agency.
- In late April, ICPS specialists met a delegation from the Foreign Policy Society, a Danish NGO. 35 members of this organization came to Kyiv to study the post-election situation in the country and prospects for Ukraine's domestic and foreign policy.

structure of public watch over such spending in Kazakhstan, Macedonia and Ukraine, detailed description of a model for public watch over healthcare spending, and examples of its application. This project was implemented by organizations that are in the PASOS network (www.pasos.org) and was funded by the Open Society Institute.

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